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Eagle Ford drilling update - New Standard to spud next Atascosa Project well tomorrow

Highlights

- Drilling program commences in next phase of New Standard's strategy to add value to its US Eagle Ford shale acreage
- Drilling to be funded from four sources: Cooper Basin farm-out receipts, debt, revenue and existing cash
- New Standard demonstrates responsiveness to reduction in US oil price

New Standard Energy Ltd (**New Standard**) will tomorrow (Saturday) spud the first of two wells to be drilled back-to-back in the next phase of the Company's Atascosa Project (Eagle Ford shale, Texas, USA), as the Company continues its strategy of adding value to its US acreage while prudently managing its capital commitments.

The transaction announced this week to farm out part of the Company's Cooper Basin PEL570 permit to Santos, combined with the spudding of the Peeler Ranch-7H well, reinforces New Standard's commitment to direct its capital towards increasing value in its US leases through driving production and reserves growth, said New Standard Managing Director Phil Thick.

New Standard is also currently finalising an independent reserves report to expand its lending base and facilitate the next drawdown of its enhanced debt facility, which gives the Company the ability to draw up to US\$45 million to fund its Eagle Ford shale drilling program.

The Company expects the receipt of the cash consideration paid by Santos to farm into PEL570 along with current cash, cashflow from existing production over the coming months and the availability of the next draws on the debt facility will provide the Company with total liquidity of up to \$16 million through Q1 2015.

The two wells selected for the current exploration phase are the Peeler Ranch-7H well, which is a commitment well to add to the Peeler Ranch production profile, and the Lagunillas Camp #3 well in the Allright Project Area. Drilling of the Lagunillas Camp #3 well reflects New Standard's focus of increasing reserves on its permit areas to increase the value of its acreage and will result in an additional 320 acres being held by production.

"Currently the majority of our reserves are based on the Peeler Ranch Project Area, with very small reserves recognition for the Allright Area. Over the next 12 months we will be targeting drilling towards Lagunillas and McCarty wells on the Allright Area, and as these will be Type III wells, we expect they will not only add significantly to production but will also drive substantial reserves growth for the Company," Mr Thick said.

Both wells will be drilled, hydraulically fractured and completed using 'Type III' methods (see New Standard ASX announcement 1 October 2014) which use longer laterals and higher proppant concentrations in an effort to achieve significant increases in oil production Initial Production (IP) rates and Estimated Ultimate Recovery (EUR).

The cost of Type III wells can be 10-15% higher but production rates increase dramatically with 35-40% higher EUR's and much greater Internal Rates of Return (IRR). As a result, payback on the capital cost of these wells becomes much shorter.



Mr Thick said New Standard had responded to the recent fall in oil prices by taking a prudent approach to its exploration program and capital commitments given the drilling commitments are flexible and the Company's exploration acreage lies within the much sought after oil window of the Eagle Ford shale.

"By reducing the current program from three wells to two and delaying the hydraulic fracturing and completion of those wells until the first quarter of next year, New Standard is limiting its exposure to the reduced oil price and conserving its capital at the same time," he said.

"The board considered the merits of continuing our fast track exploration and development program, however the most prudent approach to take for our shareholders was assessing the changed market dynamics and adapting our program to an adjusted commercial landscape. Of course we remain in a strong position to accelerate again if the market dynamics change in a positive way in the months ahead."

New Standard currently plans to drill another three wells around the middle of next year.

- ENDS -

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About New Standard: New Standard Energy is an onshore hydrocarbon producer, developer and explorer with a commitment to develop and realise the oil and gas potential of the most prospective shale and tight gas basins across the US and Australia.

The Company's exploration and production program is active and extensive. It is underpinned and complemented by targeted corporate activity to take advantage of opportunities and to build an extensive pipeline of prospective projects. New Standard's Board has substantial technical and commercial experience in the oil and gas sector.

The Company operates in four primary basins: Eagle Ford, Texas, USA; Cooper, South Australia; and the Canning and Carnarvon, Western Australia.

The Eagle Ford acreage is a development and production project. It contains seven existing production wells, in the oil window of the Eagle Ford shale, which are currently producing and generating revenue that will provide immediate monthly cash flow to the Company. New Standard is currently drilling and evaluating additional wells.

The Cooper Basin Project is later stage exploration and development, to take advantage of existing infrastructure and the domestic and export opportunities available in the Australian East Coast gas market.

The Canning and Carnarvon Projects are frontier basins, providing New Standard's investors with exposure to high risk, high reward exploration.

New Standard benefits from a strategic alliance with its major shareholder, the US-based Magnum Hunter Resources Corporation, to efficiently develop the Atascosa Project in the Eagle Ford; to develop the Cooper Basin; and to explore in the Canning and Carnarvon Basins. The Company's portfolio includes:

Texas, USA

Atascosa Project

- Operated working interests ranging from 35.4% to 100% across 5,585 net acres in the Eagle Ford shale, onshore Texas

Colorado Project

- 32.5% non-operated working interest, Colorado County, onshore Texas

South Australia

Cooper Basin Project

- 17.5% non-operated interest in the PEL 570 acreage area, Cooper Basin, South Australia

Western Australia

Southern Canning Project

- 100% operated interest in exploration permits (EPs 443, 450, 451, 456), Southern Canning Basin, Western Australia
- 100% operated interest in exploration permit application areas (STP-EPA-006, STP-EPA-007 and STP-EPA-010), Southern Canning Basin, Western Australia

Laurel Project

- 100% operated interest in exploration permit EP 417, Northern Canning Basin, Western Australia
- 100% operated interest in exploration permit application areas (STP-EPA-0092 and STP-EPA-0109), Northern Canning Basin, Western Australia

Merlinleigh Project

- 100% operated interest in exploration permits (EPs 481 and 482), onshore Carnarvon Basin, Western Australia

In addition to the above portfolio, New Standard has an 11.8% equity interest in ASX listed Elixir Petroleum (**ASX: EXR**) and has formed a strategic alliance with Magnum Hunter Resources Corporation (**NYSE: MHR**) to deliver expertise and corporate growth. New Standard is also continuing to actively assess other opportunities to complement and expand its exploration portfolio.